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PART - V

GOVERNMENT OF MEGHALAYA

MEGHALAYA LEGISLATIVE ASSEMBLY SECRETARIAT

ORDERS BY THE GOVERNOR

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## NOTIFICATION

The 26th November, 2010.

**No.LB.60/LA/2010/3.**—The Meghalaya Co-operative Societies (Amendment) Bill 2010 introduced in the Meghalaya Legislative Assembly on the 26th November, 2010 together with the statement of objects and Reasons is published under Rule 71 of the Rules of Procedure and Conduct of Business in the Meghalaya Legislative Assembly for general information.

**THE MEGHALAYA COOPERATIVE SOCIETIES**  
**(AMENDMENT) BILL, 2010.**

**A**

**B I L L.**

further to amend the Meghalaya Cooperative Societies Act (Assam Act. No.1 of 1950 as adapted and amended by Meghalaya).

Be it enacted by the Legislative of the State of Meghalaya in the sixty-first Year of the Republic of India as follows:-

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| <b>Short title and commencement</b><br><b>Amendment of Section 2.</b> | <p>1. (1) This Act may be called the Meghalaya Cooperative Societies (Amendment) Act, 2010.</p> <p>(2) It shall come into force at once.</p> <p>2. In Section 2 of the Meghalaya Cooperative Societies Act (Assam Act No. 1 of 1950 as adapted by Meghalaya) (hereinafter referred as the Principal Act) -</p> <p>(i) after Clause (e), the following new Clause (ee) shall be inserted, namely,-</p> <p>(ee) “<i>Co-operative Credit Structure Societies</i>” includes the State Co-operative Bank and Primary Agricultural Credit Co-operative Societies, by whatever name called.</p> <p>(ii) after Clause (k), the following new Clause (kk) and Clause (kkk) shall be inserted, namely:</p> <p>(kk) “<i>Multipurpose Co-operative Society</i>” means a Primary Society, the object of which is to provide various services including services related to credit, business, industry and consumer durables to its members”.</p> <p>(kkk) “National Bank” means the National Bank for Agricultural and Rural Development established under Section 3 of the National Bank for Agricultural and Rural Development Act, 1981 (Central Act No.61 of 1981);”</p> <p>(iii) after Clause (n), the following new Clauses (nn) and (nnn) shall be inserted, namely:</p> <p>(nn) “Primary Agricultural Credit Society” means a Cooperative Society as defined under Clause (cciv) of Section 5 of the Banking Regulation Act, 1949 (Central Act 10 of 1949) and includes a Multipurpose Cooperative Society”.</p> <p>(nnn) “State Cooperative Bank” means an Apex Society engaged in the business of banking”.</p> <p>(iv) after Clause (p), the following new Clause (pp) shall be inserted, namely:</p> <p>(pp) “Reserve Bank” means the Reserve Bank of India established under Section 3 of the Reserve Bank of India Act, 1934 (Central Act 2 of 1934);”</p> <p>(v) after Clause (q), the following new Clause (qq), Clause (qqq) and Clause (qqqq) shall be inserted, namely:</p> <p>(qq) “Apex Society” means a Cooperative Society whose area of operation extends to the whole of the State of Meghalaya and which has, as its principal object, the promotion of the principal objects of, and the provision of facilities for the operation of other Cooperative Societies affiliated to it and classified as an Apex Society by the Registrar;”</p> <p>(qqq) “Primary Society” means a Cooperative Society whose membership consist exclusively of individuals and self help group;”</p> <p>(qqqq) “Capital to Risk Weighted Assets Ratio” means the Capital adequacy norms stipulated by the Reserve Bank from time to time;”</p> |
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(vi) after Clause(r), the following new clause(rr), shall be inserted, namely:

(rr) "Chartered Accountant" means a member of the Institute of Chartered Accountants of India within the meaning of the Chartered Accountants Act, 1949 (38 of 1949)."

**A Heading on insertion of new Chapter XIVA.**

3. After Chapter XIVA a new Heading of the Chapter shall be inserted, namely, -  
"Special Provisions Applicable to Cooperative Credit Structure Societies;"

**Amendment to Section 84A**

4. In section 84A of the principal Act:

(i) For the words "Contained in this Act" appearing therein, the words "or inconsistent contained in any Chapter of this Act or Rules framed thereunder or bye-laws of any registered society or orders issued thereunder, the provision of this Chapter shall have overriding effect"- shall be substituted.

**Amendment to Section 84 A**

**Clause (b)**

5. In section 84A (b) of the principal Act:

(i) For Clause(b) of the Principal Act be deleted and substituted, namely ;

(ii) "No Primary Agricultural Credit Society or its Federation or association [except those which are permitted to act as a bank under Banking Regulation Act, 1949 (Central Act 10 of 1949)] shall be registered with the words 'bank' or any other derivative of the word 'bank' in its registered name or shall use the same as a part of its name."

(iii) "Provided that where any Primary Agricultural Credit Society or its Federation or association (except those which are permitted to act as a Bank under Banking Regulation Act, 1949 (Central Act 10 of 1949) has been registered or using the same as a part of its name before the commencement of the Meghalaya Cooperative Societies (Amendment) ordinance 2010 with the word "bank" or any of its derivatives in its registered name, it shall within three months from the date of such commencement, change its name so as to remove the word 'bank' or its derivative, if any, from its name".

(iv) "Provided further that where any such society fails to comply with the above provisions within the period specified therein, the Registrar shall order the winding up of such society forthwith."

**Amendment to Section 84 A**

**Clause (c)**

6. In Section 84A (c) of the principal Act:

(i) for Clause (c) of the principal Act be deleted and substituted, namely;

(ii) "Every person or group holding a minimum deposit of rupees one thousand for a continuous period of minimum two years or such other amount or time as maybe prescribed in a Primary Agricultural Credit Society shall become a member of the Society by subscribing the minimum Share Capital specified in the bye-laws and shall have full membership and voting rights."

(iii) "A group borrower shall become a member of a Primary Agricultural Credit Society by subscribing the minimum Share Capital specified in the bye-laws and shall have full voting rights."

(iv) Every group depositor or group borrower admitted as a member shall be entitled to vote through one delegate nominated by the group."

**Amendment to Sec 84A**

**Clause(e)**

7. In Section 84A(e) of the principal Act.

For Clause(e) of the principal Act be deleted and substituted, namely;

(i) There shall be at least such numbers of professionals having special knowledge or experience in such field as may be stipulated by the Reserve Bank on the Managing Body of the State Coop. Bank and in case such number of elected directors do not, in the opinion of Reserve Bank or National Bank, possess special knowledge or experience in such fields as may be stipulated by the Reserve Bank, the Managing Body of the State Coop. Bank, shall co-opt such no. of professionals with full voting rights irrespective of :-

(i) the limit on the number of members of the committee under this Act or rules framed there under or its byelaws,

(ii) whether such professional is a member of the Society or not.

(iii) If any person who, in the opinion of the Reserve Bank, has been co-opted as a member of the managing body under clause(i) of this section without having requisite knowledge or experience as stipulated by the Reserve Bank, he shall, on being advised by the Reserve Bank or the National Bank, be removed from the office after giving him a reasonable opportunity of being heard.

<b>Amendment to Section 84 A Clause (f)</b>	<p><b>8. In Section 84A(f) of the principal Act:</b></p> <p>(i) For Clause(f) of the principal Act be deleted and substituted, namely;</p> <p>(ii) "The members of the Managing Body and the Chief Executive Officer of the State Cooperative Bank shall fulfill the criteria stipulated by the Reserve Bank for the time being in force;"</p> <p>(iii) "The members of the Managing Body and the Chief Executive Officer of the State Cooperative Bank who do not fulfill the criteria stipulated by the Reserve Bank shall be removed by the Registrar or the Appointing Authority, as the case maybe, at the recommendation of the Reserve Bank or the National Bank;"</p>
<b>Amendment to Section 84 A Clause (g)</b>	<p><b>9. In Section 84A(g) of the principal Act:</b></p> <p>(i) For Clause(g) of the principal Act be deleted and substituted, namely:</p> <p>(ii) "Every Cooperative Bank shall have its account audited by a qualified Chartered Accountant in each financial year, subject to such directions as the Reserve Bank may issue from time to time;"</p> <p>(iii) The Accounts of the State Cooperative Bank shall be audited and certified by Chartered Accountants appointed by it from the panel approved by the National Bank;"</p> <p>(iv) "The Registrar of the Cooperative Societies shall ensure conduct of Special Audit of the State Cooperative Bank if requested by the Reserve Bank and also furnish a copy of the report to the Reserve Bank and the National Bank within the time stipulated by the Reserve Bank;"</p>
<b>Amendment to Section 84 A Clause (h)</b>	<p><b>10. In Section 84A(h) of the principal Act;</b></p> <p>(i) In Sub-Section(h) between the words "Prudential Norms" and "issued by" the words "if any," shall be inserted.</p> <p>(ii) After Clause(h), the following new Sub-Clauses(h)(i) be added, namely;</p> <p>(h)(i) "The Prudential Norms including Capital to Risk Weighted Assets Ratio shall be prescribed by the Registrar for all the Primary Agricultural Credit Societies in consultation with the National Bank."</p>
<b>Amendment to Section 84 A Clause (i)</b>	<p><b>11. In Section 84A(i) of the principal Act:</b></p> <p>In Sub-Section(i) between the words "no" and "without" the words "Credit Structure Society shall be exempted by the Government from the application of the provisions of this Chapter" shall be substituted and the words "or the National Bank" shall be added after the word "Reserve Bank;"</p>
<b>Amendment to Section 84 A Clause (j)</b>	<p><b>12. In Section 84A(j) of the principal Act:</b></p> <p>(i) For Clause(j) of the principal Act be deleted and substituted, namely;</p> <p>(ii) "The Registrar shall ensure that Reserve Bank's regulatory prescriptions in case of State Cooperative Bank including recommendation for supersession of the Managing Body and winding up of the State Cooperative Bank are implemented within one month of being so advised by the Reserve Bank;"</p> <p>(iii) "The Registrar shall ensure that the Liquidator or the Administrator, as the case maybe, is appointed within one month of being so advised by the Reserve Bank for winding up or supersession;"</p>

- Amendment to Section 84 A Clause (k)**      **13.** In Section 84A(k) of the principal Act:
- (i) For Clause(k) of the principal Act be deleted and substituted, namely;
  - (ii) “The Managing Body of the State Cooperative Bank shall not be superseded without prior consultation of the Reserve Bank;”
  - (iii) “The Supersession of the Managing Body of a Primary Agricultural Credit Society shall be done only on the following grounds:-
    - (a) “If the Society incurs losses for three consecutive years;” or
    - (b) “If serious financial irregularities or frauds have been identified;” or
    - (c) “If there are judicial directives to this effect;” or
    - (d) “If there is a lack of quorum for three consecutive meetings;”
- Amendment to Section 84 A Clause (l)**      **14.** In Section “84A(l) of the principal Act;
- (i) For Clause (l) of the principal Act be deleted as a contextual to Clause(j), and will be substituted, namely;
- “The Registrar shall conduct election to a Cooperative Credit Structure Society before the expiry of the term of the existing Managing Body;”
- Amendment to Section 84(A)**      **15.** In Section 84A of the principal Act:
- (i) After Clause(l), the following new Clauses (m),(n),(o),(p),(q),(r),(s),(t),(u),(v),(w),(x),(y) and (z) shall be added namely:
  - (m) “The Registrar shall conduct elections to a Cooperative Credit Structure Society within two months from the date of supersession.”
- Provided that in circumstances beyond control the Government may allow holding of such election within a period not exceeding six months from the date of supersession.
- (n) “A member of the Managing Body of a Primary Agricultural Credit Society which has been superseded under this Act shall not be entitled to contest the election again for a period of three years from the date of supersession.”
  - (o) “A Cooperative Credit Structure Society shall have freedom to decide its financial and administrative matters, especially.”
  - (i) Interest rates on deposits and Loans.  
Provided that in the case of the State Cooperative Bank, the interest rates shall be in conformity with the guidelines issued by the Reserve Bank;
  - (ii) Borrowing and Investments;
  - (iii) Loan policies and individuals loan decisions;
  - (iv) Personnel policy, staffing recruitment, posting and compensation to staff, and;
  - (v) Internal control systems, appointment of auditors and fees for the Auditor.
  - (p) “The Government’s subscription in the Share Capital of any Cooperative Credit Structure Society shall not exceed twenty five percent and the Government or Cooperative Credit Structure Society may reduce the Government’s subscription further at its choice;”
- Provided further that in case State Cooperative Bank unable to comply with requirements of Sub-Section(1) of Section 11 of the Banking Regulation 1949(Central Act 10 of 1949), the State Government can contribute equity to the extent required to enable State Cooperative Bank to comply with the requirements of Sub-Section(1) of Section 11 of Banking Regulation Act 1949 (Central Act 1949);”

- (q)(i) "There shall be only one nominee of the State Government in the Managing Body of the State Cooperative Bank if the State Government has subscribed to its Share Capital."
- (ii) "There shall be no nominee of the Government in the Managing Body of a Primary Agricultural Credit Society irrespective of Government's subscription to the Share Capital."
- (r) "A Cooperative Credit Structure Society may affiliate or disaffiliate with a Federal Cooperative Society at its choice." Provided that before disaffiliation the Society shall discharge its financial liability, if any, to the Society from whom it is disaffiliating."
- (s) "A Cooperative Credit Structure Society shall have the freedom of entry and exit at any tier and there shall be no mandatory restrictions of geographical boundaries for its operation."
- (t) "A Cooperative Credit Structure Society shall have the freedom to invest or deposit its funds in any Bank or financial Institution regulated by the Reserve Bank and not necessarily in the Federal Society to which it is affiliated."
- (u) "A Cooperative Credit Structure Society may obtain loans from any bank or financial institution regulated by the Reserve Bank and refinance from the National Bank or any other Financial Institution directly or through any Reserve Bank regulated financial Institution and not necessarily from the Federal Society to which it is affiliated."
- (v) "A Primary Agricultural Credit Society may pay dividend in accordance with the guidelines framed by the Registrar in consultation with the National Bank."
- (w) "The Government or the Registrar shall have no powers to direct any Cooperative Credit Structure Society to contribute to any fund other than those required for improving its net worth or own funds."
- (x) "No person shall be elected, nominated or co-opted or allowed to continue as a member of the Managing Body of a Cooperative Credit Structure Society, if he,
- (i) is a person who represents a society other than a Primary Agricultural Credit Society on the Managing Body of the State Cooperative Bank, if such society he represents has committed a default towards the payments of such Bank for a period exceeding ninety days.
- (ii) is a person who committed a default towards payments to a Primary Agricultural Credit Society or represents a Primary Agricultural Credit Society on the Managing Body of the State Cooperative Bank, if such society he represents has committed a default towards the payment of such bank for a period exceeding one year unless the default is cleared.
- (iii) is a person, who represents a Society whose Managing Body is superceded.
- (y)(i) "The Bye-laws or any Amendment to the Bye-laws of a Cooperative Credit Structure Society shall be registered by the Registrar within thirty days from the date of receipt of the application."
- (ii) If the Registrar is satisfied that the proposed bye-laws or the Amendments to the Bye-laws are contrary to the provisions of the Act and the Rules made thereunder he shall reject the same duly recording his reasons thereon within thirty days from the date of receipt of the application."
- (z) "The Government or the Registrar shall not do anything or take action or issue any order or directive which may have effect of curtailing any of the freedoms or powers given under this Chapter to any Cooperative Credit Structure Society or adversely affect other provision of Chapter XIV-A."



**STATEMENT OF OBJECT AND REASONS**

**The Government has decided further to Amend the Meghalaya Cooperative Societies Act (Assam Act I of 1950 as adapted by Meghalaya) with a view to suit the present scenario of Cooperative Movement in the State. The proposed amendment will affect some of the provisions in Section 2 & Section 84A to accommodate the Recommendation of the Vaidyanathan Committee.**

**Hence, the Bill.**

**Shri. F.W. Momin,  
Minister In-charge Cooperation.**

**H. Myllemngap,  
Secretary,  
Meghalaya Legislative Assembly.**

**FINANCIAL MEMORANDUM**

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**There will be no additional expenditure from the consolidated fund of the State while implementing the proposed amendment.**